

# Public Employees Benefits Board Brief

## Eligibility Recommendations

### Issue:

1. PEBB has a small number of Medicare retirees who are eligible for Medicaid based on their individual circumstances (“dual eligibles”). CMS has advised employer plans to adopt “best practices” that are flexible and reduce or eliminate the risk of adverse consequences for these retirees and their families.

### **Recommendation:**

Adopt changes to PEBB eligibility criteria to:

- Permit “dual eligible” retirees to “defer” PEBB coverage as long as they are a Medicaid/Medicare Beneficiary; and
- Allow their dependents to continue their enrollment in PEBB retiree coverage during the retirees’ “deferred” status.

Public Employees Benefits Board Brief  
Eligibility Recommendations (Continued)

Issue:

2. SB 6723 expanded PEBB eligibility for survivors of emergency service personnel killed in the line of duty. Previous to SB 6723, PEBB eligibility was limited to include survivors of members killed on or after January 1, 1998. The law also calls for LEOFF Plan 2 survivors' PEBB coverage to be paid for by DRS. Other survivors of emergency service personnel are eligible to enroll in PEBB coverage at their own expense.

Current eligibility rules provide a 60 day window for enrolling in PEBB coverage. DRS asked HCA to consider a broader window due to the vulnerability of this population.

**Recommendation:**

Authorize HCA to amend the PEBB eligibility criteria to accommodate a 180-day enrollment window for survivors of emergency service personnel and survivors of LEOFF Plan 2 members killed in the line of duty.

# Public Employees Benefits Board

## 2007 Procurement

July 26, 2006

Washington State Health Care Authority

# Agenda

- Overview
  - Purchasing Goals
  - 2007 Medical & Dental Portfolio
  - Benefit Enhancements
- Active Employee and Early Retiree Procurement
  - Overview of Medical & Dental
  - Board Action
    1. Value Plan(s)
    2. Medical Benefit Enhancements
    3. Contributions
    4. Dental Benefit Enhancement
- 2007 Medicare Procurement
  - Overview
  - Board Action
    1. Value Plan(s)
    2. Benefit Enhancements
    3. Explicit Subsidy

## 2007 Purchasing Goals

- Stay within fiscal limits set by the Legislature and reduce cost trends into the future
- Improve access to affordable choice of health plans for employees and retirees
- Design benefits that encourage enrollees to:
  - Improve their health
  - Seek higher quality and more efficient care
- Maintain benefits that compare well with other high quality State of Washington employers

# 2007 PEBB Health Plan Portfolio

## (Value Plans Subject to Board Approval)

<b>Active &amp; Early Retirees</b>	<b>Medicare Retirees</b>
Regence Classic	Regence Classic
Group Health Cooperative (GHC) Classic & Value	Group Health Cooperative Classic & Value
Kaiser Classic & Value	Kaiser Classic & Value
CHPW Classic	CHPW Classic
UMP PPO	UMP PPO
	PacifiCare Classic & Value
	Premera Med Supp Plans E and J
Uniform Dental, DeltaCare & Regence Dental	Uniform Dental, DeltaCare & Regence Dental

# Benefit Enhancements

## (Subject to Board Approval)

Covered Service	Current Benefit	Recommendation
<b>Vision</b>	<u>UMP</u> : Yearly exam; \$100 hardware/2 yrs <u>MCO</u> : Exam/2 yrs \$50 hardware/2 yrs	Yearly exam; \$150 hardware every 2 years  <b>Recommended</b>
<b>Rx</b>	UMP Only: \$100 Rx Deductible	Removal of Tier 1 Rx Deductible. Add ancillary charge for multi-source drugs and increase mail order Tier 2 copayment from \$40 to \$50.  <b>Recommended</b>
<b>Bariatric Surgery</b> <i>(Active/ Early Retiree Only)</i>	None	Option 1: Not Covered Option 2: Evidence-based coverage through Regence, GHC, Kaiser & UMP  <b>No Staff Recommendation</b>
<b>Orthodontia</b>	Uniform Dental Plan Only: \$750 Lifetime Maximum	Increase UDP Lifetime Maximum to \$1500 for Adults and Children  <b>Recommended</b>

# Active Employee and Early Retiree Purchasing Summary



## 2007 Active Bid Rate Overview

	Budgeted Active Bid Increase	Active Bid Increase Without Value Plans or Enhancements	Active Bid Increase with Value Plans, Vision & UMP Rx Enhancement	Active Bid Increase with Value Plans, Vision, UMP Rx & Bariatric Surgery Enhancement
Managed Care Organizations (MCOs)	8.5%	3.1%	2.7%	3.2%
UMP	8.5%	4.3%	4.3%	6.2%
MCOs and UMP	8.5%	3.5%	3.3%	4.5%

Note: Composites reflect impact of enrollment shifting assumptions

# Active and Early Retiree Value Plan Proposal

Covered Service	Classic	GHC Value	Kaiser Value	UMP Comparison
Out-of-Pocket Maximum	\$750/\$1500	\$1500/\$3000	\$1500/\$3000	\$1500/\$3000
Annual Deductible	None	\$100/\$300	\$100/\$300	Medical: \$200/\$600 Rx: \$100/\$300
Office Visit	\$10 copay	\$15 copay	\$20 copay	10%
Preventive Services	100% coverage	100% coverage	100% coverage	100% coverage
Inpatient Hospitalization	\$200/day \$600/max	Same	10% coinsurance	\$200/day \$600/max + 10% professional services
Emergency Room	\$75 copay	Same	\$100 copay	10% after \$75 copay
Outpatient Facility	\$100 copay	\$150 copay	10% coinsurance	10% coinsurance
Prescription Drugs	Retail: \$10/\$30 Mail: \$20/\$40	Retail: \$10/\$30 Mail: \$20/\$60	Retail: \$10/\$30 Mail: \$20/\$60	Retail: 10%/30%/50% (Tier 1 & 2 max \$75) Mail: \$10/\$40/\$100
Ancillary Services	Most Services 100%	No Change	10% coinsurance	10% coinsurance

# Annual Maximum Employee Financial Exposure with Value Plans, Vision, UMP Rx and Bariatric Surgery Benefit Enhancements

	UMP	GHC Classic	GHC Value	Kaiser Classic	Kaiser Value	Regence Classic	CHPW Classic
Deductible Medical	\$ 200	\$ -	\$ 100	\$ -	\$ 100	\$ -	\$ -
Deductible Rx	\$ 100	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Out-of-Pocket Maximum	\$ 1,500	\$ 750	\$ 1,500	\$ 750	\$ 1,500	\$ 750	\$ 750
Subtotal	\$ 1,800	\$ 750	\$ 1,600	\$ 750	\$ 1,600	\$ 750	\$ 750
Annual EE Premium	\$ 288	\$ 684	\$ 156	\$ 840	\$ 372	\$ 1,668	\$ 1,212
<b>Annual Employee Exposure</b>	\$ 2,088	\$ 1,434	\$ 1,756	\$ 1,590	\$ 1,972	\$ 2,418	\$ 1,962
Premium Saved			\$ 528		\$ 468		
Added OOP Exposure			\$ 850		\$ 850		

# Cost of Benefit Enhancements

Plan Name	2006 Subscriber Rate	2007 Subscriber Rate	Percent Increase 2006 to 2007 Before Alternatives	Eye Exam & Vision Hardware @ \$150 every 2 years	UMP Rx3	Gastric Bypass Surgery
CHPW Classic	\$ 422.62	\$ 463.57	9.7%	\$ 0.52	\$ -	
GHC Classic	\$ 401.41	\$ 417.06	3.9%	\$ 1.53	\$ -	\$ 1.55
GHC Value		\$ 372.84	N/A	\$ 1.53	\$ -	\$ 1.55
Kaiser Classic	\$ 404.89	\$ 430.41	6.3%	\$ 1.90	\$ -	\$ 0.38
Kaiser Value		\$ 391.59	N/A	\$ 1.90	\$ -	\$ 0.38
Regence Classic	\$ 486.23	\$ 495.00	1.8%	\$ 0.83	\$ -	\$ 5.74
Uniform Medical Plan	\$ 364.05	\$ 379.60	4.3%	\$ 0.23	\$ (0.35)	\$ 7.07
<b>Estimated Annual Impact</b>				<b>\$1,954,497</b>	<b>(\$496,863)</b>	<b>\$13,512,943</b>

# Dental Procurement Bid Rate Overview

<b>Plan</b>	<b>Budget Increase</b>	<b>Bid Increase</b>	<b>Bid Increase with Ortho Enhancement*</b>
Regence	5.25%	5.0%	5.0%
DeltaCare	5.25%	0.0%	0.0%
Uniform Dental Plan (UDP)	5.41%	-0.5%	4.5%
Composite Dental	5.39%	0.2%	4.3%

\* Impact: Early Retiree & Medicare Retiree UDP subscriber only  
premiums increased \$1.83/month for enhanced orthodontia

# Active Contributions with Value Plans, Vision and UMP Rx Benefit Enhancements

<u>Plan Name</u>	Employee Contribution by Family Tier							
	2006 and Proposed 2007							
	1st Tier		2nd Tier		3rd Tier		4th Tier	
	CY 2006	CY 2007	CY 2006	CY 2007	CY 2006	CY 2007	CY 2006	CY 2007
	Subscriber	Subscriber	Sub. & Spouse	Sub. & Spouse	Sub. & Child(ren)	Sub. & Child(ren)	Full Family	Full Family
CHPW Classic	\$ 73	\$ 106	\$ 155	\$ 222	\$ 127	\$ 186	\$ 210	\$ 302
GHC Classic	\$ 51	\$ 61	\$ 113	\$ 131	\$ 90	\$ 106	\$ 151	\$ 177
GHC Value	N/A	\$ 16	N/A	\$ 43	N/A	\$ 29	N/A	\$ 55
Kaiser Classic	\$ 55	\$ 74	\$ 120	\$ 159	\$ 96	\$ 130	\$ 161	\$ 214
Kaiser Value	N/A	\$ 35	N/A	\$ 81	N/A	\$ 62	N/A	\$ 108
Regence Classic	\$ 136	\$ 138	\$ 282	\$ 286	\$ 238	\$ 241	\$ 385	\$ 389
Uniform Medical Plan	\$ 14	\$ 21	\$ 38	\$ 53	\$ 25	\$ 38	\$ 49	\$ 69
Average Employee Contribution								<b>\$82</b>
% Employee Contribution of Required Premium								<b>12%</b>
Budget Assumption								12%

# Active Contributions with Value Plans, Vision, UMP Rx and Bariatric Surgery Benefit Enhancements

<u>Plan Name</u>	Employee Contribution by Family Tier							
	2006 and Proposed 2007							
	1st Tier		2nd Tier		3rd Tier		4th Tier	
	CY 2006	CY 2007	CY 2006	CY 2007	CY 2006	CY 2007	CY 2006	CY 2007
	Subscriber	Subscriber	Sub. & Spouse	Sub. & Spouse	Sub. & Child(ren)	Sub. & Child(ren)	Full Family	Full Family
CHPW Classic	\$ 73	\$ 101	\$ 155	\$ 212	\$ 127	\$ 177	\$ 210	\$ 288
GHC Classic	\$ 51	\$ 57	\$ 113	\$ 124	\$ 90	\$ 100	\$ 151	\$ 167
GHC Value	N/A	\$ 13	N/A	\$ 36	N/A	\$ 23	N/A	\$ 46
Kaiser Classic	\$ 55	\$ 70	\$ 120	\$ 149	\$ 96	\$ 122	\$ 161	\$ 202
Kaiser Value	N/A	\$ 31	N/A	\$ 72	N/A	\$ 54	N/A	\$ 95
Regence Classic	\$ 136	\$ 139	\$ 282	\$ 287	\$ 238	\$ 242	\$ 385	\$ 391
Uniform Medical Plan	\$ 14	\$ 24	\$ 38	\$ 57	\$ 25	\$ 41	\$ 49	\$ 75
Average Employee Contribution								<b>\$81</b>
% Employee Contribution of Required Premium								<b>12%</b>
Budget Assumption								12%

Notes: Bariatric Surgery benefit excluded for CHPW

# Estimated Early Retiree Contributions with Value Plans, Vision, UMP Rx and Bariatric Surgery Benefit Enhancements

	<b>Early Retiree Contribution by Family Tier</b>							
	<b>2006 and Proposed 2007</b>							
<b><u>Plan Name</u></b>	<b>1st Tier</b>		<b>2nd Tier</b>		<b>3rd Tier</b>		<b>4th Tier</b>	
	CY 2006	CY 2007	CY 2006	CY 2007	CY 2006	CY 2007	CY 2006	CY 2007
	Subscriber	Subscriber	Sub. & Spouse	Sub. & Spouse	Sub. & Child(ren)	Sub. & Child(ren)	Full Family	Full Family
CHPW Classic	\$ 430	\$ 471	\$ 853	\$ 935	\$ 747	\$ 819	\$ 1,170	\$ 1,283
GHC Classic	\$ 409	\$ 427	\$ 810	\$ 848	\$ 710	\$ 742	\$ 1,112	\$ 1,163
GHC Value	N/A	\$ 383	N/A	\$ 759	N/A	\$ 665	N/A	\$ 1,041
Kaiser Classic	\$ 413	\$ 440	\$ 817	\$ 873	\$ 716	\$ 764	\$ 1,121	\$ 1,197
Kaiser Value	N/A	\$ 401	N/A	\$ 795	N/A	\$ 697	N/A	\$ 1,090
Regence Classic	\$ 494	\$ 509	\$ 980	\$ 1,010	\$ 859	\$ 885	\$ 1,345	\$ 1,387
Uniform Medical Plan	\$ 372	\$ 394	\$ 736	\$ 780	\$ 645	\$ 684	\$ 1,009	\$ 1,070

Notes: Bariatric Surgery benefit excluded for CHPW; Contributions rounded to nearest dollar for discussion purposes.



# Medicare Retiree Purchasing Summary

## 2007 Medicare Bid Overview

Medicare	Medicare Budget Increase	Medicare Bid Increase Without Value Plans or Benefit Enhancements	Medicare Bid Increase with Value Plans, Vision and UMP Rx Enhancements
Managed Care Organizations (MCOs)	14.0%	5.6%	4.8%
UMP	6.6%	3.7%	3.3%
Medicare Supplements	14.0%	-0.3%	-0.3%
Medicare Total	10.0%	4.1%	3.5%

# Group Health Cooperative Medicare Value Plan

<b>Covered Services</b>	<b>GHC Medicare Classic</b>	<b>GHC Medicare Value</b>
Annual Deductible	None	None
Annual Out-of-Pocket Limit	\$750/person/year	\$1000/person/year
Office Visit/Exam	\$10 copay	\$15 copay
Preventive Services	100% coverage	100% coverage
Inpatient Hospitalization	\$100/day x 3/\$600/year	\$100 copay per day; max of \$300 per admit
Prescription Drug Benefits	Retail: \$10/\$30 Mail: \$20/\$40	Retail: \$15/\$30 Mail: \$30/60
Skilled Nursing Facility	150 days/yr max	100 days/yr max
Diabetic Supplies	Retail: \$10 copay Mail: \$20 copay	20% coinsurance

# Kaiser Medicare Value Plan

Covered Services	Kaiser Medicare Classic	Kaiser Medicare Value Plan
Annual Deductible	None	None
Annual Out-of-Pocket Limit	\$600/\$1500	\$1000/\$1500
Office Visit/Exam	\$10 copay	\$15 copay
Preventive Services	100% coverage	\$15 copay; x-ray and lab 100% covered
Inpatient Hospitalization	100% coverage	\$200 copay per admission
Prescription Drug Benefits	Retail: \$10/\$25 Mail: \$20/\$50	Retail: 40% coinsurance to \$150 max Mail: 40% coinsurance to \$300 max

# PacifiCare Medicare Value Plan

<b>Covered Services</b>	<b>PacifiCare Classic</b>	<b>PacifiCare Value</b>
Annual Deductible	None	None
Annual Out-of-Pocket Limit/Individual	\$750/person/year	No Out-Of-Pocket Maximum
Office Visit/Exam		
Primary Care	\$10 copay	\$15 copay
Specialist	\$10 copay	\$30 copay
Preventive Services	100% coverage	100% coverage
Inpatient Hospitalization	\$150 copay per day, Max. \$600 per person/yr	\$200 copay per day, Max. \$1000 per person/yr
Prescription Drug Benefits	Retail: \$10/\$25/\$40 Mail: \$20/\$50/\$80	Retail: \$15/\$35/\$50 Mail: \$30/\$70/\$100
Hearing Hardware	\$300 every 36 months	Not covered

# Medicare

## Cost of Benefit Enhancements

Plan Name	2006 Subscriber Rate	2007 Subscriber Rate	Percent Increase 2006 to 2007 Before Alternatives	Eye Exam & Vision Hardware @ \$150 every 2 years	UMP Rx3
CHPW Classic	\$ 352.76	\$ 423.74	20.1%	\$ 0.42	\$ -
Group Health Classic	\$ 309.68	\$ 320.36	3.4%	\$ 1.53	\$ -
Group Health Value	\$ -	\$ 288.32	N/A	\$ 1.53	\$ -
Kaiser Classic	\$ 259.55	\$ 298.71	15.1%	\$ 0.73	\$ -
Kaiser Value	\$ -	\$ 227.14	N/A	\$ 0.73	\$ -
PacifiCare Classic	\$ 289.66	\$ 317.14	9.5%	\$ 0.81	\$ -
PacifiCare Value	\$ -	\$ 241.55	N/A	\$ 0.81	\$ -
Regence Classic	\$ 432.68	\$ 502.08	16.0%	\$ 0.65	\$ -
Uniform Medical Plan	\$ 318.27	\$ 330.18	3.7%	\$ 0.27	\$ (1.68)
<b>Estimated Annual Impact</b>				<b>\$ 366,948</b>	<b>\$ (518,314)</b>

# Estimated Medicare Retiree Premium (After \$149.67 Subsidy)

<b>Plan Name</b>	<b>2006 First Tier Retiree Pays</b>	<b>2007 Estimated First Tier Retiree Pays (w/o Value Plan, Enhancements)</b>	<b>2007 Estimated First Tier Retiree Pays (w/ Value Plan, Enhancements)</b>
CHPW Classic	\$ 229	\$ 281	\$ 282
Group Health Coop Classic	\$ 185	\$ 178	\$ 179
Group Health Coop Value	N/A	\$ 151	\$ 152
Kaiser Classic	\$ 137	\$ 157	\$ 157
Kaiser Value	N/A	\$ 121	\$ 121
PacifiCare Classic	\$ 165	\$ 175	\$ 176
PacifiCare Value	N/A	\$ 128	\$ 128
Regence Classic	\$ 308	\$ 360	\$ 360
Uniform Medical Plan	\$ 194	\$ 188	\$ 186
Medicare E Retired	\$ 64	\$ 68	\$ 68
Medicare E Disability	\$ 103	\$ 111	\$ 111
Medicare J Retired w/o Rx	\$ 91	\$ 89	\$ 89
Medicare J Disabled w/o Rx	\$ 160	\$ 146	\$ 146
Medicare J Retired w/Rx	\$ 156	\$ 144	\$ 144
Medicare J Disabled w/Rx	\$ 352	\$ 322	\$ 322

Note: Retiree contributions rounded to nearest dollar for discussion purposes.

# Exhibit 1

## Bariatric Surgery Presentation



# Bariatric Surgery

Presentation to PEBB Board

July 26, 2006

Nancy L. Fisher, RN, MD, MPH

# Bariatric Surgery

- Obesity Defined
- Cost Drivers
- Common Co-morbidities
- Types of Surgery
- Efficacy
- Risk
- Post Surgical Issues

$$\text{BMI} = \text{Wgt in Lbs} / \text{Ht in Inches}$$

Classification	Body Mass Index (BMI)
Underweight	<18.5
Normal	18.5-24.9
Overweight	25.0-29.9
Obese	30.0-39.9
Severely Obese	40.0-49.9
Super Obese	>50

# Patient Selection: Weight Loss Surgery

- BMI and co-morbidities
- Age
- Duration of Obesity
- Failure of other weight loss strategies
- Psychological Readiness
- Surgical Readiness
- Other

# Common Co-Morbidities

- Metabolic Syndrome
- Sleep Apnea
- Pulmonary Hypertension
- Osteoarthritis
- Gallstones
- Urinary Incontinence (stress)
- Deep Vein Thrombosis
- Venous/stasis Ulcers
- Gynecological Abnormalities
- Depression
- Immobility

# Types of Bariatric Surgery

- Restrictive (Pouch)

  - Vertical Band Gastroplasty (VGB)

  - Gastric Banding

  - Laparoscopic Gastric Banding

  - Restrictive and Malabsorptive (Pouch and Bypass)

  - Roux-en-Y Bypass

  - Bilopancreatic Diversions

# Efficacy of Bariatric Surgery

- Substantive Weight loss
- Reversal or mitigation of co-morbidities
- Significant difference in outcomes between the types of surgery

limited and inconclusive evidence

RGB versus VGB

Weight loss between open and laparoscopic procedures

# Risks of Gastric Bypass

- Mortality (.5-3%)
- Anastomotic leaks (1-5%)
- Bleeding (1-5%)
- Pulmonary Embolism (.5-1%)
- Bowel Obstruction (5-10%)
- Wound Infection (10-20%)
- Incisional Hernia (1-23%)
- Re-operation (10%)
- Lifetime nutritional/vitamin supplementation (100%)
- Failure to lose the amount of weight desired (varies)



# 14 year Follow-up Study

- Re-admit (38.2%)
- Incisional Hernia (38.2%)
- Staple line Failure (15%)
- Gastritis (13.2%)
- Anastomotic Problems (9.8%)
- Dehydration/malnutrition (5.8%)
- Dilated Pouch (3.2%)
- Cholecystitis (11.4%)
- Vitamin B 12 deficiency (39.9%)

# Mortality

- True risk is unknown
- Evidence Reviews-vary demographically
- Oregon experience .5-5%
- Washington experience
  - 1.9% 30 day mortality (Flum, 2004)
  - Medicaid experience (1-8%)
  - High variability in facilities-experience related
- Administrative data not adequate

# Short Term Survival

- 66, 109 (mean 43.1, SD 10.1)
- 3,328 Gastric bypass
- 1.02% (n=34) in hospital mortality
- 30 day mortality 1.9% (n=64)
  - Nearly half as likely in women
  - Patients over 65 >10%
- High variability in different centers

# Long Term Survival

- 15 years (WA)
  - 16.3% mortality in non-operated patients
  - 11.8% in operated patients
- Patients , 40 years of age (13yr F/U)
  - 13.8% mortality in non-operated patients
  - 3% in operated patients

# Reductions in Co-morbidities

- Diabetes- if beta cells are functional
- Hypertension
- Cardiovascular disease risk
- Sleep apnea
- GERD
- Pseudo tumor Cerebri (rare)

# Nutritional/Metabolic Consequences

- Iron Deficiency Anemia- pre-menopausal women and pregnancy are challenges
- Vitamin B 12-anemia, neurological disorders, raised homocystine
- Folic Acid-anemia, birth defects, raised homocystine
- Calcium-osteoporosis and osteomalacia

# Post Surgical Issue

- Life Styles Changes
- Rules of Eating and Vomiting
- Nutritional supplements
- Caloric intake restriction
- Dumping syndrome

# Summary

- Surgery can work, but not without lifestyles changes
- Increased risk for males, age 60+, and those with pulmonary hypertension
- Costs-adverse outcomes/economics balanced with co-morbidities of obesity
- More research-outcome studies, data on non-surgical individuals (SCOAP, UW NIH Study)
- True mortality not known
- Variability in complications-experience of facility